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SUBJECT: CENTRAL COMMITTEE/COUNCIL OF MINISTERS DECREE ON MACHINE-BUILDING

REF: (A) MOSCOW 18085 (B) MOSCOW 17652

SUMMARY: THE IMPORTANCE ATTRIBUTED TO THE MACHINE-BUILDING INDUSTRY IN ACHIEVING ECONOMIC GOALS AND DIS-SATISFACTION WITH ITS PERFORMANCE DURING THE 10TH FIVE YEAR PLAN IN THIS REGARD HAS LED THE CENTRAL COMMITTEE AND COUNCIL OF MINISTERS TO DIRECT THAT INDUSTRY TO IMPROVE VASTLY THE QUALITY OF ITS PRODUCTS, REDUCE ITS DEMAND FOR METALS AND LABOR, AND INCREASE ITS CAPACITY BY 1980-85. IN ORDER TO FACILITATE ACHIEVEMENT OF THESE AMBITIOUS GOALS, CC/CM DECREED SEVERAL IMPORTANT MEASURES, INCLUDING
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A TRANSFER TO THE MACHINE-BUILDING MINISTRIES OF RESOURCE AND RESPONSIBILITY FOR RECONSTRUCTION, REEQUIPPING, AND EXPANSION OF EXISTING PLANT, AND INCREASED ALLOCATION TO THESE SAME MINISTRIES OF NEW METAL WORKING TOOLS. A REVIEW OF THE GROWTH RATE OF PRODUCTION IN VARIOUS MACHINE BUILDING MINISTRIES AND BRANCHES, AND STATISTICS ON TIME PERIOD NEEDED TO MAKE NEW AND RECONSTRUCTED PLANTS FULLY

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OPERATIONAL REVEAL CAUSES FOR CONCERN: RATE OF PRODUCTION GROWTH HAS TENDED DOWNWARD SINCE BEGINNING OF 10TH FIVE YEAR PLAN AND NEW PLANT BECOMES FULLY OPERATIONAL ONLY SLOWLY (SEE SEPTEL). SHOULD THE LATTER CONTINUE AT A SLOW RATE, IT WILL BE DIFFICULT FOR THE MACHINE-BUILDING INDUSTRY TO ACHIEVE EITHER THE QUANTITATIVE OR QUALITATIVE GOALS BEING SET FOR L980--OR FOR 1985. END SUMMARY.

1. A CENTRAL COMMITEE COUNCIL OF MINISTERS DECREE, "ON THE FURTHER DEVELOPMENT OF MACHINE-BUILDING IN 1978-80," PUBLISHED IN PRAVDA AUGUST 5, SETS FORTH AMBITIOUS GOALS FOR THE MACHINE BUILDING INDUSTRY TO ACCOMPLISH THROUGH 1985. TO IMPROVE THE QUALITY OF ITS PRODUCTION THE INDUSTRY IS TO:

(A) PRODUCE IN THE PERIOD 1978-85 EQUIPMENT WHOSE PRODUCTIVITY IS NOT LESS THAN 1.5 TO 2 TIMES HIGHER THAN THE NORMS IN 1975;

(B) PRODUCE IN 1978-80 NEW TYPES OF MACHINE TECHNOLOGY IN ADDITION TO THOSE ENVISAGED BY THE 10TH FIVE YEAR PLAN;

(C) PRODUCE MACHINES WITH IMPROVED RELIABILITY AND THEREFORE LONGER PERIODS BETWEEN SERVICING

AND CAPITAL REPAIR; AND

(D) PRODUCE A HIGHER PERCENTAGE OF QUALITY MACHINERY IN THE OVERALL VOLUME OF MACHINERY PRODUCTION.

THE INDUSTRY IS TO REDUCE ITS USE OF RESOURCES BY:

(A) PRODUCING MACHINES USING LESS METAL AND

(B) INCREASING THE LEVEL OF THE INDUSTRY'S MECHANIZATION THROUGH 1985, THEREBY REDUCING DEMAND FOR MANUAL LABOR AND FREEING LABOR SUPPLIES.

THE INDUSTRY IS TO INCREASE CAPACITY BY:

(A) INCREASING BY 20 TO 30 PERCENT BY 1980 THE INTENSITY OF ITS UTILIZATION OF EXISTING CAPACITY OF METAL WORKING EQUIPMENT, AND

(B) BRINGING NEW CAPACITY ON STREAM ON SCHEDULE.

2. CALLING UPON ALL MINISTRIES, DEPARTMENTS AND REPUBLICS

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TO REGARD THE CONSTRUCTION AND RECONSTRUCTION OF MACHINE BUILDING ENTERPRISES AS THE MOST IMPORTANT NATIONAL ECONOMIC TASK, THE CENTRAL COMMITTEE'S DECREE GIVES INSTRUCTIONS WHICH GO BEYOND THE MERE HORTATIVE. GOSPLAN AND GOSSNAB ARE INSTRUCTED TO GIVE THE NEW METAL WORKING EQUIPMENT TO THE MACHINE-BUILDING MINISTRIES (RATHER THAN ONE ASSUMES, TO OTHER INDUSTRIAL BRANCHES) AND TO ALLOCATE MATERIALS, CONSTRUCTION MECHANISMS, ETC., TO THESE MIN-ISTRIES, SO THAT THEY THEMSELVES CAN EXPAND, RE-EQUIP TECHNOLOGICALLY, AND RECONSTRUCT PLANT, AND TO START SUCH ALLOCATIONS WITH THE 1979 PLAN. THE MINISTRIES SUPPLYING THESE MACHINE-BUILDING MINISTRIES WITH INSTRUMENT STEELS ARE INSTRUCTED TO PROVIDE HIGHLY-EFFECTIVE SUBSTITUTES FOR INSTRUMENT STEELS BY 1985. IN ORDER TO REDUCE THE
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AMOUNT FOR MANUAL LABOR, THE DECREE INSTRUCTS THE RESPON-SIBLE MINISTRIES TO INCREASE THE RATE OF CONSTRUCTION AND BRINGING ON STREAM OF PRODUCTION CAPACITY FOR THE MEANS

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OF MECHANIZATION, LIFTING-TRANSPORT WORK, LOADING AND UNLOADING WORK, AND STORAGE WORK. THE CENTRAL COMMITTEE ALSO STATES THAT THE MACHINE-BUILDING MINISTRIES AND THEIR CUSTOMERS ARE TO DEVELOP BY MARCH 1979 PROPOSALS FOR THE DEVELOPMENT OF MACHINE-BUILDING FROM 1981 TO 1985 AND THROUGH 1990, WHICH, IN TURN, GOSPLAN AND THE STATE COMMITTEE ON SCIENCE AND TECHNOLOGY SHOULD USE IN THE DRAFT "BASIC DIRECTIONS OF ECONOMIC AND SOCIAL DEVELOPMENT OF THE USSR 1981-85" AND TO 1990.

3. PRAVDA AUGUST 7 EDITORIAL HIGHLIGHTS THE REASONS FOR THE DECREE. EDITORIAL CALLS MACHINE-BUILDING THE KEY TO THE GROWTH OF PRODUCTION AND TO INCREASING THE QUALITY OF PRODUCTION IN METALLURGY, CHEMICALS, AGRICULTURE, TRANSPORT, ETC. EDITORIAL ALSO ASCRIBESTO THE MACHINE-BUILDING INDUSTRY A MAJOR ROLE IN RESOLVING "SOCIAL" PROBLEMS, REFERRING SPECIFICALLY TO IMPROVING LABOR CONDITIONS AND REDUCING THE NEED FOR MANUAL LABOR. IT LIMITED OFFICIAL USE

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STATES, HOWEVER, THAT THE MACHINE-BUILDING INDUSTRY HAS NOT BEEN PERFORMING AS EXPECTED, EXPERIENCING DIFFICULTIE IN THE VOLUME OF PRODUCTION, THE TECHNICAL LEVEL AND QUALITY OF SOME PRODUCTS, THE INSTALLATION OF PROGRESSIVE TECHNOLOGY, THE COMPLEX MECHANIZATION AND AUTOMATIZATION OF PROCESSES, AND LAGS IN CAPITAL CONSTRUCTION.

4. A REVIEW OF PRODUCTION STATISTICS FROM 1976 THROUGH THE FIRST 6 MONTHS OF 1978, I.E. THE FIRST HALF OF THE 10TH FIVE YEAR PLAN, INDICATES THAT THE GROWTH RATES WITHIN THE MACHINE-BUILDING INDUSTRY HAVE BEEN DECLINING:

MINISTRY	1976/75	1977/76	1978/7
HEAVY AND TRANSPORT EQUIPMENT	106	105	106
POWER MACHINE-BUILDING	106	106	105
CHEMICAL AND PETROLEUM	108	108	106
MACHINE-TOOL AND TOOL BUILDING	110	110	110
AUTOMOBILE	108	108	110
TRACTOR AND AGRICULTURE	107	106	106
ANIMAL HUSBANDRY AND FODDER PRODUCTION	111	110	109

CONSTRUCTION, ROAD AND

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MUNICIPAL 107 105 104

LIGHT AND FOOD INDUSTRY 108 107 106
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INSTRUMENT MAKING, AUTOMATION
EQUIPMENT, AND CONTROL
SYSTEMS 112 111 110

IN PERCENT 1ST HALF

BRANCH 1976/75 1977/76 1978/7

TURBINES 104 96 90

GENERATORS AND TURBINES 97 109 97

ELECTRIC MOTORS (ALTERNATING
CURRENT) 103 101 104

METAL WORKING TOOLS 100 102 100.
NUMERICALLY CONTROLLED 108 107 115

FORGING-PRESSING 103 104 103

INSTRUMENTS, MEANS OF
AUTOMATIZATION AND SPARES 112 112 113

COMPUTERS AND SPARES 122 125 120

METALLURGICAL (BLAST AND ROLLING
EQUIPMENT IN 1978) 107 101 105

PETROLEUM APPARATUS 122 104 108

CHEMICAL EQUIPMENT AND SPARES 108 107 105

STEAM ENGINES 105 91 106

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ELECTRIC ENGINES 106 104 104

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RAILROAD CARS 103 99 97

5. COMMENT: IT SEEMS UNLIKELY THAT THE MACHINE-BUILDING INDUSTRY WILL BE ABLE TO ACHIEVE EITHER THE 10TH FIVE YEAR PLAN QUANTITATIVE GOALS (50-60 PERCENT GROWTH FOR MACHINE-BUILDING AS A WHOLE. WITH FEW EXCEPTIONS EMBASSY UNFORTUNATELY DOES NOT HAVE 10TH FIVE YEAR PLAN GOALS FOR INDIVIDUAL BRANCHES.) OR THE AMBITIOUS QUALITATIVE GOALS SET FORTH IN THE DECREE. TO A GREAT EXTENT, ACHIEVEMENT OF SUCH QUANTITATIVE AND QUALITATIVE TARGETS DEPENDS ON BRINGING NEW AND RE-CONSTRUCTED OR RE-EQUIPPED PLANTS ON STREAM WITHIN THE NEXT TWO AND ONE HALF YEARS (OR BY 1985 FOR SOME QUALITATIVE TARGETS). YET NOT ONLY HAS THE CAPITAL CONSTRUCTION INDUSTRY BEEN EXPERIENCING CONSIDER-ABLE DIFFICULTIES IN COMPLETING PROJECTS (REF A), BUT ALSO THE NEW AND RECONSTRUCTED PLANTS ARE BROUGHT TO FULL OPERATING CAPACITY ONLY SLOWLY. ACCORDING TO AN ARTICLE IN SOTSIALISTICHESKAYA INDUSTRIYA AUGUST
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8 (SEPTEL), ONLY 38 PERCENT BECOME FULLY OPERATIONAL IN

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THE FIRST YEAR AFTER COMPLETION OF CONSTRUCTION, 27
THE SECOND, 14 THE THIRD, AND THE REMAINING
21 PERCENT NOT EARLIER THAN THE FIFTH. THUS, EVEN THOUGH
FIXED ASSETS ARE UP 11 PERCENT OVER 1977 (REF A) THIS MAY
HAVE LITTLE IMPACT UPON PRODUCTION OVER THE SHORT TERM.

6. IT SEEMS UNLIKELY THAT THE SOVIET MACHINE-BUILDING
INDUSTRY WILL BE ABLE TO DECREASE THE PERIOD WITHIN WHICH
NEW, RECONSTRUCTED AND RE-EQUIPPED PALNT BECOMES FULLY
OPERATIONAL. THE PROBLEMS CAUSING THE DELAYS APPEAR IN-
TRACTABLE IN THE SHORT--IF NOT THE MEDIUM--TERM. ACCORD-
ING TO A SOTSIALISTICHESKAYA INDUSTRIYA AUGUST 8 ARTICLE,
MANPOWER, FUEL, AND ENERGY, RAW MATERIAL AND MATERIAL
SHORTAGES AND DEFECTIVE EQUIPMENT ACCOUNT FOR THE DELAYS
IN 50 PERCENT OF THE CASES. OVERCOMING THESE CAUSES WILL
ITSELF BE DIFFICULT, SINCE THIS DEPENDS FOR EXAMPLE, ON
AN EXPANDING LABOR FORCE, IMPROVED TRANSPORTATION (A SEC-
TOR WHICH IS NOT MEETING ITS TARGETS, REF B), IMPROVED
COORDINATION IN BRINGING ON STREAM INTERCONNECTED PLANTS,
ETC. RATHER THAN RESOLVING THESE PROBLEMS, THE SYSTEM
HAS RESPONDED BY INCREASING THE PRESSURE. ACCORDING TO
THE SOTSIALISTICHESKAYA ARTICLE THE PERIOD IN WHICH NEW
CAPACITY IS TO BECOME FULLY OPERATIONAL HAS BEEN RE-
DUCED BY 11 PERCENT, AND WHEN NEWLY RECONSTRUCTED PLANT
IS INCLUDED, BY 25 PERCENT.

7. MOREOVER, AS FAR AS WE CAN ASCERTAIN, THE SOLUTIONS
BEING ADVANCED ARE LARGELY ORGANIZATIONAL AND OF THE TYPE
THAT HAVE NOT PROVED SINGULARLY EFFECTIVE IN THE
PAST. IN SOME CASES, IT SEEMS CLEAR THAT THE PROPOSED
SOLUTIONS WILL MERELY REPLACE EXISTING PROBLEMS WITH
SOMEWHAT DIFFERENT ONES. FOR EXAMPLE, TO TRANSFER RE-
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SOURCES FOR THE RECONSTRUCTION OF PLANT FROM THE CON-
STRUCTION MINISTRIES TO THE MACHINE-BUILDING MINISTRIES,
AS CALLED FOR IN THE DECREE, MAY LOWER PRODUCTIVITY IN
THE CONSTRUCTION INDUSTRY (BECAUSE MATERIALS SHORTAGES
DELAY WORK) AND INCREASE THE DEMAND FOR LABOR AMONG
MACHINE-BUILDING MINISTRIES (TO CARRY OUT THE RECONSTRUC-
ION) WITHOUT NECESSARILY SPEEDING UP THE CONSTRUCTION
ITSELF.

8. FURTHERMORE, CONSTRUCTION AND RECONSTRUCTION ARE ONLY
THE BEGINNINGS OF THE PROBLEM. ACCORDING TO THE SOTSIAL-
ISTICHESKAYA INDUSTRIYA ARTICLE, WITHIN CERTAIN MIN-
ISTRIES (AND EMBASSY DOES NOT EXPECT THAT THESE MIN-
ISTRIES ARE EXCEPTIONAL IN THIS REGARD) EVEN NEW PLANTS--
I.E. THOSE WITH PRESUMABLY THE HIGHEST LEVEL
OF MECHANIZATION AND AUTOMATIZATION-- SUFFER FROM LOW

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PRODUCTIVITY AND AN EXCESSIVE NUMBER OF WORKERS. TOON

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